

ORIGINAL

OPEN MEETING ⁴¹⁴



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MEMORANDUM

Arizona Corporation Commission

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TO: THE COMMISSION

OCT - 7 2004

FROM: Utilities Division

DOCKETED BY

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AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: October 7, 2004

RE: IN THE MATTER OF THE REQUEST BY SO COOL ENERGY, INC. FOR AN EXCEPTION TO THE ENVIRONMENTAL PORTFOLIO STANDARD RULE DEFINITIONS (DOCKET NO. RE-00000C-00-0377)

On January 6, 2004, at a Commission Staff meeting, the Commission asked Staff to commence a process to consider possible changes to the Environmental Portfolio Standard Rules, A.A.C. R14-2-1618.

In February 2004, the Commission Staff requested suggestions for changes to the Environmental Portfolio Standard rules. A number of parties submitted comments and suggested possible changes to the rules.

The Environmental Portfolio Standard Rules, in R14-2-1618 B.3.c., require that in 2004 and thereafter, at least 60 percent of the portfolio kWh makeup must come from solar electric technologies.

On July 21, 2004, So Cool Energy, Inc. sent a letter to the Commission, requesting the designation of a pending solar Heating Ventilation and Air Conditioning ("solar HVAC") project as eligible to meet a portion of the "solar electric" requirement in the Environmental Portfolio Standard Rules.

Although the Environmental Portfolio Standard Rules do not explicitly included solar HVAC technologies in the definition of "solar electric" technologies, Staff believes that there is a compelling public interest concern in evaluating whether solar HVAC systems can help reduce Arizona's ever-increasing electricity demand in a cost-effective manner. This is particularly true during summer peak periods.

To date, there have been no solar HVAC projects built that have provided kWh savings that meet EPS requirements. Staff believes that a pilot program including a limited number of solar HVAC systems in Arizona would provide utilities and customers with invaluable information about the procurement, installation, and operation of solar HVAC systems and the economics of this renewable technology.

Staff recommends that the Commission authorize the establishment by Staff of a Solar Heating Ventilation and Air Conditioning Pilot Program which includes a provision which would allow a maximum of five solar Heating Ventilation and Air Conditioning projects installed in 2004, 2005 or 2006 to be eligible to meet a portion of the "solar electric" requirement in the Environmental Portfolio Standard.

Proposed Solar Heating Ventilation and Air Conditioning Pilot Program

The Solar HVAC Pilot Program is designed to encourage the installation and operation of five solar HVAC systems as part of the Arizona Environmental Portfolio Standard effort. The kWhs saved through the Pilot Program would be eligible to meet the "solar electric" requirement in the Environmental Portfolio Standard. In order to be eligible for the Solar HVAC Pilot Program, the solar energy system must include, at a minimum, solar air conditioning. In addition, the solar system may also include solar water heating or solar space heating, or both. Although solar space heating is not currently an eligible technology for the Portfolio Standard, if it is included in a Solar HVAC system in one of the five Pilot Program projects, the kWh savings would be eligible to meet the EPS.

Utilities or Electric Service Providers wishing to participate in the Solar HVAC Pilot Program in order to meet a portion of the "solar electric" requirement of the Environmental Portfolio Standard shall file a letter in Docket Control addressed to the Director, Utilities Division, which identifies the solar HVAC project that would meet the Pilot Program requirements. Eligibility for the five project "slots" shall be determined on a first-filed, first-eligible basis. The Docket Control date/time stamp of the letters submitted will determine the five projects which are first in line for eligibility in the Pilot Program

It is hoped that the solar HVAC Pilot Program will encourage the installation of a variety of solar HVAC products from different manufacturers in different utility service territories. However, there is no explicit provision in the Pilot Program that restricts project eligibility in this way.



Ernest G. Johnson
Director
Utilities Division

EGJ:RTW:lhj\JMA

ORIGINATOR: Ray T. Williamson

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 MARC SPITZER
 Chairman
3 WILLIAM A. MUNDELL
 Commissioner
4 JEFF HATCH-MILLER
 Commissioner
5 MIKE GLEASON
 Commissioner
6 KRISTIN K. MAYES
 Commissioner
7

8 IN THE MATTER OF THE REQUEST BY
9 SO COOL ENERGY, INC. FOR AN
10 EXCEPTION TO ENVIRONMENTAL
11 PORTFOLIO STANDARD RULE
12 DEFINITIONS

) DOCKET NO. RE-00000C-00-0377

) DECISION NO. _____

) ORDER
)

13 Open Meeting
14 October 26 and 27, 2004
15 Phoenix, Arizona

16 BY THE COMMISSION:

17 FINDINGS OF FACT

18 1. On January 6, 2004, at a Commission Staff meeting, the Commission asked Staff to
19 commence a process to consider possible changes to the Environmental Portfolio Standard rules,
20 A.A.C. R14-2-1618.

21 2. In February 2004, the Commission Staff requested suggestions for changes to the
22 Environmental Portfolio Standard rules. A number of parties submitted comments and suggested
23 possible changes to the rules.

24 3. The Environmental Portfolio Standard Rules, in R14-2-1618 B.3.c., require that in
25 2004 and thereafter, at least 60 percent of the portfolio kWh makeup must come from solar electric
26 technologies.

27 4. On July 21, 2004, So Cool Energy, Inc. sent a letter to the Commission, requesting
28 the designation of a pending solar Heating Ventilation and Air Conditioning ("solar HVAC")

1 project as eligible to meet a portion of the "solar electric" requirement in the Environmental
2 Portfolio Standard Rules.

3 5. Although the Environmental Portfolio Standard Rules do not explicitly include
4 solar HVAC technologies in the definition of "solar electric" technologies, Staff believes that there
5 is a compelling public interest concern in evaluating whether solar HVAC systems can help reduce
6 Arizona's ever-increasing electricity demand in a cost-effective manner. This is particularly true
7 during summer peak periods.

8 6. To date, there have been no solar HVAC projects built that have provided kWh
9 savings that meet EPS requirements. Staff believes that a pilot program including a limited
10 number of solar HVAC systems in Arizona would provide utilities and customers with invaluable
11 information about the procurement, installation, and operation of solar HVAC systems and the
12 economics of this renewable technology.

13 7. Staff recommended that the Commission authorize the establishment by Staff of a
14 Solar Heating Ventilation and Air Conditioning Pilot Program which includes a provision which
15 would allow a maximum of five solar Heating Ventilation and Air Conditioning projects installed
16 in 2004, 2005 or 2006 to be eligible to meet a portion of the "solar electric" requirement in the
17 Environmental Portfolio Standard.

18
19 Proposed Solar Heating Ventilation and Air Conditioning Pilot Program

20 8. The Solar HVAC Pilot Program is designed to encourage the installation and
21 operation of five solar HVAC systems as part of the Arizona Environmental Portfolio Standard
22 effort. The kWhs saved through the Pilot Program would be eligible to meet the "solar electric"
23 requirement in the Environmental Portfolio Standard. In order to be eligible for the Solar HVAC
24 Pilot Program, the solar energy system must include, at a minimum, solar air conditioning. In
25 addition, the solar system may also include solar water heating or solar space heating, or both.
26 Although solar space heating is not currently an eligible technology for the Portfolio Standard, if it
27 is included in a Solar HVAC system in one of the five Pilot Program projects, the kWh savings
28 would be eligible to meet the EPS.

1 Utilities or Electric Service Providers wishing to participate in the Solar HVAC Pilot
2 Program in order to meet a portion of the "solar electric" requirement of the Environmental
3 Portfolio Standard shall file a letter in Docket Control addressed to the Director, Utilities Division,
4 which identifies the solar HVAC project that would meet the Pilot Program requirements.
5 Eligibility for the five project "slots" shall be determined on a first-filed, first-eligible basis. The
6 Docket Control date/time stamp of the letters submitted will determine the five projects which are
7 first in line for eligibility in the Pilot Program.

8 It is hoped that the solar HVAC Pilot Program will encourage the installation of a variety
9 of solar HVAC products from different manufacturers in different utility service territories.
10 However, there is no explicit provision in the Pilot Program that restricts project eligibility in this
11 way.

12 CONCLUSIONS OF LAW

13 1. The Commission has jurisdiction over the Environmental Portfolio Standard Rules
14 and over the subject matter of this application.

15 2. The Commission, having reviewed the application and Staff's Memorandum dated
16 October 7, 2004, concludes that it is in the public interest to approve the formation of a Solar
17 Heating Ventilation and Air Conditioning Pilot Program as defined in Finding of Fact No. 8.

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ORDER

IT IS THEREFORE ORDERED that the formation of a Solar Heating Ventilation and Air Conditioning Pilot Program as defined Finding of Fact No. 8 is approved.

IT IS FURTHER ORDERED that this decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2004.

BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:RTW:lhmvJMA

Decision No. _____

1 SERVICE LIST FOR: Environmental Portfolio Standard
2 DOCKET NO. RE-00000C-00-0377

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4 President
5 So Cool Energy, Inc.
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9 Director, Utilities Division
10 Arizona Corporation Commission
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